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NEWAYGO PUBLIC SCHOOLS NEWAYGO, MICHIGAN

FINANCIAL STATEMENTS JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

October 14, 2008

Board of Education
Newaygo Public Schools
Newaygo, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newaygo Public Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the index. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newaygo Public Schools, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 14, 2008 on our consideration of Newaygo Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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Board of Education
Newaygo Public Schools
October 14, 2008

The management's discussion and analysis and budgetary comparison listed in the index are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newaygo Public Schools' basic financial statements. The accompanying other supplemental information, as identified in the index, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

NEWAYGO PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Our discussion and analysis of the Newaygo Public Schools' financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

The School District's net assets increased by over \$909,000 or 19%. Program revenues accounted for \$1.9 million or 10% of total revenues, and general revenues accounted for \$17.3 million or 90%.

The General Fund reported a positive fund balance in excess of \$1.6 million.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Newaygo Public Schools financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund and 2000 Issue Debt Retirement Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

NEWAYGO PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector businesses. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets as a way to measure the School District's financial position. The change in net assets provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

The School District is the trustee, or fiduciary, for its student activity fund. All of the School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

NEWAYGO PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2008 and 2007.

Exhibit A

	Governmental Activities	
	(in thousands)	
	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 4,572	\$ 4,638
Capital assets - net of accumulated depreciation	26,434	27,182
Total assets	<u>31,006</u>	<u>31,820</u>
Liabilities		
Current liabilities	4,363	4,906
Long-term liabilities	<u>20,949</u>	<u>22,129</u>
Total liabilities	<u>25,312</u>	<u>27,035</u>
Net Assets		
Invested in property and equipment - net of related debt	4,227	3,552
Restricted	749	822
Unrestricted	<u>718</u>	<u>411</u>
Total net assets	<u>\$ 5,694</u>	<u>\$ 4,785</u>

The above analysis focuses on net assets (see Exhibit A). The School District's net assets were \$5.7 million at June 30, 2008. Capital assets were reduced by \$748,489 due to a greater amount of depreciation of assets than capital outlay purchases. Current and Other Assets decreased slightly by \$66,000 mainly in cash and investments on hand at June 30, 2008 on the other hand current liabilities decreased by \$543,000 with an accumulated reduction of \$178,000 in accounts payable, accrued payroll, accrued interest and bond premium and a reduction of \$365,000 in long term liabilities due within one year. Retirement of bond and loan principal decreased the long-term liabilities by \$1,180,000.

Total net assets increased by \$909,000 due to the paying off of long term debt and maintaining spending levels based upon budget constraints of available revenue. Capital assets, net of related debt, totaling \$4.2 million compares the original costs, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$749,000 for debt service are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

NEWAYGO PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

The \$718,000 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities, which shows the changes in net assets for the year. Exhibit B provides a summary of the School District's operations for the years ended June 30, 2008 and 2007.

Exhibit B

	Governmental Activities	
	(in thousands)	
	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 361	\$ 352
Grants and categoricals	1,535	1,545
General revenue:		
Property taxes	4,917	4,481
State foundation allowance	12,228	12,566
Other	195	215
Total revenue	<u>19,236</u>	<u>19,159</u>
Function/Program Expenses		
Instruction	10,752	11,056
Support services	4,678	5,144
Food services	654	585
Athletics	257	267
Interest on long-term debt and related charges	1,107	1,161
Amortization of bond issuance costs	10	10
Depreciation (unallocated)	869	913
Total expenses	<u>18,327</u>	<u>19,136</u>
Increase in Net Assets	<u><u>\$ 909</u></u>	<u><u>\$ 23</u></u>

NEWAYGO PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Newaygo Public Schools net assets increased by \$909,000. Governmental fund operating results, which include General Fund, Special Revenue Funds and Debt Service funds, reflect that District's revenues exceeded expenditures by \$55,542 as of June 30, 2008, (further discussion of the operating results are found in "The School District's Funds" analysis in the following pages). The cost of capital assets is allocated over the useful lives of the assets as depreciation expense. District assets depreciated by \$869,118, causing a reduction in net district assets. Long-Term Debt activities reflected a reduction in obligations as of June 30, 2008 by making principal payments of \$1,412,405. Accrued compensated absences decreased by \$132,471.

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental funds reported a combined fund balance of \$2,650,307, which is an increase of \$55,542 from last year. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

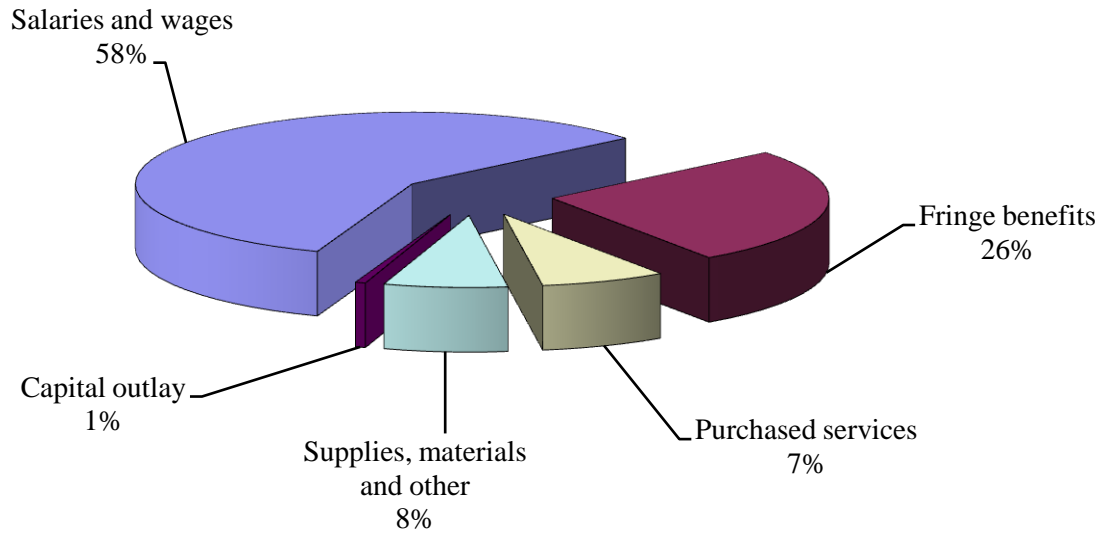
	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 1,630,760	\$ 1,524,867	\$ 105,893
Special Revenue	270,382	247,643	22,739
Debt Service	749,165	822,255	(73,090)
Total	<u>\$ 2,650,307</u>	<u>\$ 2,594,765</u>	<u>\$ 55,542</u>

NEWAYGO PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

- The General Fund is the main operating fund for the district and includes all the revenues and expenses directly related to the education of our students. This includes all instructional costs, support services, administration, transportation and maintenance/cleaning costs. The General Fund revenues exceeded expenditures by \$105,893 for the fiscal year ended June 30, 2008. The General Fund as of June 30, 2008, has a fund balance of \$1,630,760 or 10.26% of expenditures for the 2007-2008 fiscal year.
- The School District has made over \$1.8 million in budget reductions in the past four years along with the use of approximately \$2.1 million in fund balance.
- The Special Revenue Funds include Food Service and Athletic.
 - The Food Service Fund reports all revenue and expenditure activities related to the school breakfast and lunch programs in each of our buildings. In 2007-2008 the food service program reported revenues of \$676,439 and expenditures of \$653,720 with revenues exceeding expenditures by \$22,719.
 - The athletic fund reports all revenue and expenditure activities related to the high school and middle school athletic programs. This includes costs for coaches, officials, equipment, uniforms, supplies, and miscellaneous. For 2007-2008 revenues of \$256,808 and expenditures of \$256,788 were reported for the athletic fund. Gate receipts from all athletic events totaled \$48,976 with the general fund appropriating \$207,812 for operations to cover the costs of all coaching positions. The athletic fund revenues exceeded expenditures by \$20 leaving the fund with \$5,108 remaining in fund balance.
- The Debt Service Funds decreased \$73,090. Debt Service Funds include the 2003 Refunding, the 2000 Debt, 2005 Refunding, and the Durant Issue. The Debt Service Funds collect property taxes earmarked for each voter approved debt and pay the annual debt principal and interest payments. At June 30, 2008 the debt service fund had an accumulated fund balance of \$749,165 to be used toward future debt payments.

NEWAYGO PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



	2008	2007
<i>General Fund Expenditures by Object</i>		
Salaries and wages	\$ 9,162,452	\$ 9,708,270
Fringe benefits	4,147,908	4,483,307
Purchased services	1,146,145	943,293
Supplies, materials and other	1,337,778	1,013,278
Capital outlay	96,533	185,572
Total	<u>\$ 15,890,816</u>	<u>\$ 16,333,720</u>

NEWAYGO PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- There was no significant variances between the original and final budgets for revenues and financial sources.
- Budgeted expenditures were decreased by \$949,796, which is a 6% decrease from the original budget.
- Federal revenues were short by \$52,617 due to title II funds deferred to 2008-2009 school year.
- Basic instruction programs were over by \$138,197 due to due to redistribution of instructional staffing.

Capital Assets

At June 30, 2008, the School District had \$26.4 million invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions and disposals) of \$748,489, or 3%, from last year.

	<u>2008</u>	<u>2007</u>
Land	\$ 514,975	\$ 514,975
Buildings and improvements	30,648,736	30,622,468
Furniture and equipment	2,927,500	2,908,612
Buses and other vehicles	<u>1,728,075</u>	<u>1,789,602</u>
Total capital assets	35,819,286	35,835,657
Less accumulated depreciation	<u>9,385,505</u>	<u>8,653,387</u>
Net capital assets	<u><u>\$ 26,433,781</u></u>	<u><u>\$ 27,182,270</u></u>

This year's additions of \$121,000 included the purchase of a bus, copy machine and other equipment. No additional debt was issued for these additions.

NEWAYGO PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Debt

At the end of this year, the School District had \$22 million in bonds outstanding. Those bonds consisted of the following:

	<u>2008</u>	<u>2007</u>
General Obligation Bonds	<u>\$ 22,017,649</u>	<u>\$ 23,430,054</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2009 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be down 62 students from last year. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

Requests For Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Newaygo Public Schools
360 S. Mill St., PO Box 820
Newaygo, MI 49337

NEWAYGO PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 1,680,969
Receivables:	
Accounts receivable	68,428
Due from other governmental units	2,589,969
Inventory	37,967
Prepaid expenses	9,896
Bond issuance costs less accumulated amortization of \$33,868	184,972
Capital assets less accumulated depreciation of \$9,385,505	<u>26,433,781</u>
 Total assets	 <u>31,005,982</u>
<u>Liabilities</u>	
Accounts payable	353,599
Accrued payroll and other liabilities	1,049,419
Accrued interest payable	189,580
Due to other governmental units	113,002
Deferred revenue	220,902
Bond premium less accumulated amortization of \$184,069	1,005,297
Long-term liabilities:	
Due within one year	1,431,404
Due in more than one year	<u>20,949,245</u>
 Total liabilities	 <u>25,312,448</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	4,226,552
Restricted for debt service	749,165
Unrestricted	<u>717,817</u>
 Total net assets	 <u><u>\$ 5,693,534</u></u>

See accompanying notes to financial statements.

NEWAYGO PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2008

		Program Revenues		Governmental Activities
				Net (Expense)
	Expenses	Charges for Services	Operating Grants/ Contributions	Revenue and Changes in Net Assets
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 10,751,932	\$ 44,462	\$ 1,053,003	\$ (9,654,467)
Support services	4,677,952	77,392	0	(4,600,560)
Food services	653,720	190,401	481,638	18,319
Athletics	256,788	48,960	0	(207,828)
Interest on long-term debt and related charges	1,107,274	0	0	(1,107,274)
Amortization of bond issuance costs	10,421	0	0	(10,421)
Depreciation (unallocated)	869,118	0	0	(869,118)
Total governmental activities	<u>\$ 18,327,205</u>	<u>\$ 361,215</u>	<u>\$ 1,534,641</u>	<u>(16,431,349)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				2,485,873
Property taxes, levied for debt services				2,431,313
State aid not restricted to specific purposes				12,228,238
Interest and investment earnings				96,479
Amortization of bond premium				56,636
Other				41,887
Total general revenues				<u>17,340,426</u>
Change in net assets				909,077
Net assets - beginning of year				<u>4,784,457</u>
Net assets - end of year				<u>\$ 5,693,534</u>

See accompanying notes to financial statements.

NEWAYGO PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2008

	General	2000 Issue Debt Retirement	Nonmajor Governmental Funds	Total
<u>ASSETS</u>				
Cash and investments	\$ 927,830	\$ 312,672	\$ 440,467	\$ 1,680,969
Receivables:				
Accounts receivable	61,430	0	0	61,430
Due from other funds	13,754	219,724	20,287	253,765
Due from other governmental units	2,589,969	0	0	2,589,969
Inventory	0	0	37,967	37,967
Prepaid expenditures	9,896	0	0	9,896
Total assets	<u>\$ 3,602,879</u>	<u>\$ 532,396</u>	<u>\$ 498,721</u>	<u>\$ 4,633,996</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 348,284	\$ 0	\$ 5,315	\$ 353,599
Accrued payroll and other liabilities	1,049,419	0	0	1,049,419
Due to other funds	240,512	0	6,255	246,767
Due to other governmental units	113,002	0	0	113,002
Deferred revenue	220,902	0	0	220,902
Total liabilities	<u>1,972,119</u>	<u>0</u>	<u>11,570</u>	<u>1,983,689</u>
<u>Fund Balance</u>				
Reserved for inventory and prepaid expenditures	9,896	0	37,967	47,863
Reserved for debt service	0	532,396	216,769	749,165
Unreserved:				
Undesignated	1,620,864	0	232,415	1,853,279
Total fund balance	<u>1,630,760</u>	<u>532,396</u>	<u>487,151</u>	<u>2,650,307</u>
Total Liabilities and Fund Balance	<u>\$ 3,602,879</u>	<u>\$ 532,396</u>	<u>\$ 498,721</u>	<u>\$ 4,633,996</u>

See accompanying notes to financial statements.

NEWAYGO PUBLIC SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Total fund balance - governmental funds	\$ 2,650,307
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of the capital assets	35,819,286
Accumulated depreciation	(9,385,505)
Other assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:	
Bond issuance costs	218,840
Accumulated amortization	(33,868)
Accrued interest payable is not included as a liability in governmental funds	(189,580)
Other liabilities used in governmental activities are not payable from current resources and therefore are not reported in governmental funds:	
Bond premium	(1,189,366)
Accumulated amortization	184,069
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(22,017,649)
Compensated absences	(363,000)
Total net assets - governmental activities	<u>\$ 5,693,534</u>

See accompanying notes to financial statements.

NEWAYGO PUBLIC SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008

	General	2000 Issue Debt Retirement	Nonmajor Governmental Funds	Total
<u>Revenues</u>				
Local sources:				
Property taxes	\$ 2,485,873	\$ 2,260,964	\$ 170,350	\$ 4,917,187
The Fremont Area Foundation	187,028	0	0	187,028
Other	228,369	18,209	251,775	498,353
State sources	12,228,238	0	64,678	12,292,916
Federal sources	607,383	0	416,961	1,024,344
Interdistrict sources	259,818	0	0	259,818
Total revenues	15,996,709	2,279,173	903,764	19,179,646
<u>Expenditures</u>				
Current:				
Instruction	10,872,931	0	0	10,872,931
Support services	4,788,842	0	0	4,788,842
Food services	0	0	653,720	653,720
Athletics	0	0	256,788	256,788
Debt service:				
Principal	0	1,227,404	185,000	1,412,404
Interest	0	1,082,135	36,073	1,118,208
Capital outlay	21,211	0	0	21,211
Total expenditures	15,682,984	2,309,539	1,131,581	19,124,104
Excess (deficiency) of revenues over expenditures	313,725	(30,366)	(227,817)	55,542
<u>Other Financing Sources (Uses)</u>				
Operating transfers in from other funds	0	0	207,832	207,832
Operating transfers out to other funds	(207,832)	0	0	(207,832)
Total other financing sources (uses)	(207,832)	0	207,832	0
Net change in fund balance	105,893	(30,366)	(19,985)	55,542
Fund balance - beginning of year	1,524,867	562,762	507,136	2,594,765
Fund balance - end of year	\$ 1,630,760	\$ 532,396	\$ 487,151	\$ 2,650,307

See accompanying notes to financial statements.

NEWAYGO PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balance - total governmental funds	\$ 55,542
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(869,118)
Capital outlay	120,629
Interest expense is recorded in the statement of activities when incurred; it is recorded in governmental funds when paid	10,933
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the Statement of Net Assets	
Amortization expense	(10,421)
Amortization income	56,636
Repayment of bonds	1,412,405
Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6.	132,471
Change in net assets of governmental activities	<hr/> \$ 909,077 <hr/>

See accompanying notes to financial statements.

NEWAYGO PUBLIC SCHOOLS
Statement of Fiduciary Net Assets
June 30, 2008

	Student Activity Fund
<u>ASSETS</u>	
Cash and investments	\$ 183,887
Due from other funds	<u>500</u>
Total assets	<u><u>\$ 184,387</u></u>
<u>LIABILITIES</u>	
Due to student groups	\$ 176,889
Due to other funds	<u>7,498</u>
Total liabilities	<u><u>\$ 184,387</u></u>

See accompanying notes to financial statements.

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Newaygo Public Schools (School District) conform to U.S. generally accepted accounting principles applicable to governments. The School District is considered to be a local government unit. The following is a summary of the significant accounting policies.

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Statements – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

2000 Issue Debt Retirement Fund – The 2000 Issue Debt Retirement Fund is used to account for the servicing of debt activities relative to the refunding debt issue.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds”.

Inventory and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 to 50 years
Buses and other vehicles	8 years
Furniture and equipment	5 to 20 years

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which sick leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes – For Newaygo Public Schools’ taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

State Aid – For the fiscal year ended June 30, 2008, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the average pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2007 – August 2008. The local revenue is recognized as outlined in Note 1 Basis of Accounting. Amounts receivable from the State of Michigan at June 30, 2008 relating to state aid is \$2,203,209.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 2 - BUDGETARY POLICIES AND DATA

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Newaygo Public Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

During the year ended June 30, 2008, the School District incurred revenues and expenditures in certain budgetary funds that were an unfavorable variance to amounts appropriated as follows:

Fund/Function	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
General Fund:			
Revenues:			
Federal sources	\$ 660,000	\$ 607,383	\$ 52,617
Expenditures:			
Instruction:			
Basic programs	7,738,000	7,876,197	138,197
Continuing education	1,160,800	1,164,894	4,094
Support:			
Instructional staff	160,200	161,475	1,275
Business services	326,000	326,053	53
Operations and maintenance	1,391,700	1,398,781	7,081
Central services	160,400	163,628	3,228

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 1,680,969</u>	<u>\$ 183,887</u>	<u>\$ 1,864,856</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 1,864,556
Petty cash and cash on hand	<u>300</u>
Total	<u>\$ 1,864,856</u>

Interest Rate Risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2008, \$2,315,651 of the School District's bank balance of \$2,527,455 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated:				
Land	\$ 514,975	\$ 0	\$ 0	\$ 514,975
Capital assets being depreciated:				
Building and improvements	30,622,468	26,269	0	30,648,737
Buses and other vehicles	1,789,602	75,473	137,000	1,728,075
Furniture and equipment	2,908,612	18,887	0	2,927,499
Subtotal	<u>35,320,682</u>	<u>120,629</u>	<u>137,000</u>	<u>35,304,311</u>
Accumulated depreciation:				
Building and improvements	5,370,152	475,048	0	5,845,200
Buses and other vehicles	1,358,545	113,529	137,000	1,335,074
Furniture and equipment	1,924,690	280,541	0	2,205,231
Subtotal	<u>8,653,387</u>	<u>869,118</u>	<u>137,000</u>	<u>9,385,505</u>
Net capital assets being depreciated	<u>26,667,295</u>	<u>(748,489)</u>	<u>0</u>	<u>25,918,806</u>
Net capital assets	<u><u>\$ 27,182,270</u></u>	<u><u>\$ (748,489)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 26,433,781</u></u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$869,118. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2008 and transfers made during the year ended June 30, 2008 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 13,754	\$ 240,512	\$ 0	\$ 207,832
Special Revenue:				
Athletics	0	0	207,832	0
Food Services	3,960	6,255	0	0
Debt Retirement:				
2000 Issue	219,724	0	0	0
2003 Issue	16,327	0	0	0
Student activity	500	7,498	0	0
	<u>\$ 254,265</u>	<u>\$ 254,265</u>	<u>\$ 207,832</u>	<u>\$ 207,832</u>

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems and (3) payments between funds are made.

Transfers are used to reflect funding support for athletic salaries and benefits.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2008 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid	\$ 2,203,209
NCISD grants	77,599
Federal grants	<u>309,161</u>
	<u>\$ 2,589,969</u>

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the School District for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements and Payments	Balance June 30, 2008	Amount Due Within One Year
Bonds payable	\$ 23,430,054	\$ 0	\$ 1,412,405	\$ 22,017,649	\$ 1,431,404
Compensated absences	495,471	0	132,471	363,000	0
Total	<u>\$ 23,925,525</u>	<u>\$ 0</u>	<u>\$ 1,544,876</u>	<u>\$ 22,380,649</u>	<u>\$ 1,431,404</u>

Bonds payable at June 30, 2008 are comprised of the following issues:

\$24,900,000, 2000 School Building & Site bonds due in annual installments of \$750,000 to \$800,000 through May 1, 2010; interest at 4.8% to 5.5%.	\$ 1,550,000
\$19,230,000, 2005 general obligation refunding bonds due in annual installments of \$75,000 to \$1,175,000 through May 1, 2026; interest at 3.25% to 5.00%.	19,025,000
\$1,705,000, 2003 general obligation refunding bonds due in annual installments of \$200,000 to \$215,000 through May 1, 2012; interest at 3.25% to 4.00%.	820,000
\$404,340 Durant Non-Plaintiff serial bonds due in annual installments of \$22,503 to \$138,577 through May 15, 2013; original stated interest at 4.76%.	238,748
\$383,901 School Bond Loans. There is no predetermined schedule for repayment as the School District is not required to repay the loan until annual tax collections exceed the annual debt service payment requirements. Interest rate is based on the average rate paid by the State on debt obligations issued to finance the loan program.	<u>383,901</u>
Total bonds payable	<u>\$ 22,017,649</u>

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The Durant Non-Plaintiff bond, including interest, was issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The Durant Non-Plaintiff bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitations. This Bond is payable both as to principal and interest solely from the State Aid payments described in the preceding paragraph.

Under the terms of the present contracts between the Newaygo Public Schools Board of Education and the various employee associations, the School District is contingently liable for unused sick days. Each employee may accumulate various numbers of sick days and must be paid to them upon retirement. At June 30, 2008, the amount of \$363,000 has been reflected in the district-wide financial statements as a liability.

The annual requirements to amortize the bonds outstanding as of June 30, 2008, including interest payments, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,431,404	\$ 1,050,642	\$ 2,482,046
2010	1,213,577	1,027,936	2,241,513
2011	1,154,696	925,811	2,080,507
2012	1,205,870	884,060	2,089,930
2013	1,277,102	838,040	2,115,142
2014-2018	6,140,000	3,316,500	9,456,500
2019-2023	6,040,000	1,795,250	7,835,250
2024-2026	<u>3,555,000</u>	<u>354,500</u>	<u>3,909,500</u>
	<u>\$ 22,017,649</u>	<u>\$ 10,192,739</u>	<u>\$ 32,210,388</u>

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 8 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$220,902. Detail of deferred revenue at June 30, 2008 is as follows:

<u>General Fund</u>	
The Fremont Area Foundation	\$ 97,716
Summer Experiential	42,000
At Risk	73,596
Other miscellaneous programs	<u>7,590</u>
	<u>\$ 220,902</u>

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74% for the period from July 1, 2007 through September 30, 2007 and 16.72% for the period from October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS plan for the years ended June 30, 2008, 2007, and 2006 were \$1,582,238, \$1,732,946 and \$1,798,890, respectively.

Postemployment Benefits – Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS plan discussed above.

NEWAYGO PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 11 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 12 - ECONOMIC DEPENDENCY

The School District received approximately 76% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

NEWAYGO PUBLIC SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Local sources	\$ 2,618,300	\$ 2,809,800	\$ 2,901,270
State sources	12,281,200	12,158,200	12,228,238
Federal sources	654,900	660,000	607,383
Interdistrict sources	207,100	222,000	259,818
Total revenues	15,761,500	15,850,000	15,996,709
<u>Expenditures</u>			
Instruction:			
Basic programs	7,822,598	7,738,000	7,876,197
Added needs	2,235,633	1,917,000	1,831,840
Continuing education	1,148,556	1,160,800	1,164,894
Support services:			
Pupil	601,390	537,800	535,022
Instructional staff	290,057	160,200	161,475
General administration	263,595	247,100	245,740
School administration	1,102,441	985,000	981,155
Business services	472,805	326,000	326,053
Operations and maintenance	1,426,890	1,391,700	1,398,781
Transportation	1,020,834	989,000	976,988
Central services	136,997	160,400	163,628
Capital outlay	66,000	25,000	21,211
Total expenditures	16,587,796	15,638,000	15,682,984
Excess (deficiency) of revenues over expenditures	(826,296)	212,000	313,725
<u>Other Financing (Uses)</u>			
Operating transfers out to other funds	(200,499)	(212,000)	(207,832)
Net change in fund balance	(1,026,795)	0	105,893
Fund balance - beginning of year	1,524,867	1,524,867	1,524,867
Fund balance - end of year	\$ 498,072	\$ 1,524,867	\$ 1,630,760

NEWAYGO PUBLIC SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Retirement Funds</u>	
	<u>Food Services</u>	<u>Athletics</u>	<u>2003 Issue</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and investments	\$ 234,917	\$ 5,108	\$ 200,442	\$ 440,467
Due from other funds	3,960	0	16,327	20,287
Inventory	37,967	0	0	37,967
Total assets	<u>\$ 276,844</u>	<u>\$ 5,108</u>	<u>\$ 216,769</u>	<u>\$ 498,721</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 5,315	\$ 0	\$ 0	\$ 5,315
Due to other funds	6,255	0	0	6,255
	<u>11,570</u>	<u>0</u>	<u>0</u>	<u>11,570</u>
<u>FUND BALANCE</u>				
<u>Fund Balance</u>				
Reserved for inventory	37,967	0	0	37,967
Reserved for debt service	0	0	216,769	216,769
Unreserved:				
Undesignated	227,307	5,108	0	232,415
Total fund balance	<u>265,274</u>	<u>5,108</u>	<u>216,769</u>	<u>487,151</u>
Total Liabilities and Fund Balance	<u>\$ 276,844</u>	<u>\$ 5,108</u>	<u>\$ 216,769</u>	<u>\$ 498,721</u>

NEWAYGO PUBLIC SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Retirement Funds</u>	
	<u>Food Services</u>	<u>Athletics</u>	<u>2003 Issue</u>	<u>Totals</u>
<u>Revenues</u>				
Local sources:				
Property taxes	\$ 0	\$ 0	\$ 170,350	\$ 170,350
Other	194,800	48,976	7,999	251,775
State sources	64,678	0	0	64,678
Federal sources	416,961	0	0	416,961
Total revenues	676,439	48,976	178,349	903,764
<u>Expenditures</u>				
Current:				
Food services	653,720	0	0	653,720
Athletics	0	256,788	0	256,788
Debt service:				
Principal	0	0	185,000	185,000
Interest	0	0	36,073	36,073
Total expenditures	653,720	256,788	221,073	1,131,581
Excess (deficiency) of revenues over expenditures	22,719	(207,812)	(42,724)	(227,817)
Operating transfers in from other funds	0	207,832	0	207,832
Total other financing sources	0	207,832	0	207,832
Net change in fund balance	22,719	20	(42,724)	(19,985)
Fund balance - beginning of year	242,555	5,088	259,493	507,136
Fund balance - end of year	\$ 265,274	\$ 5,108	\$ 216,769	\$ 487,151

NEWAYGO PUBLIC SCHOOLS
Schedule of Bonded Indebtedness
For the Year Ended June 30, 2008

Maturity Date	Percent of Interest Rate	Bonds Outstanding July 1, 2007	Additions	Bonds Retired This Year	Bonds Outstanding June 30, 2008	Annual Interest Payment	Total Annual Payment
2003 Issue							
Fiscal Year:							
2008	3.00	\$ 185,000	\$ 0	\$ (185,000)			
2009	3.25	200,000	0	0	\$ 200,000	\$ 30,300	\$ 230,300
2010	3.50	200,000	0	0	200,000	23,800	223,800
2011	4.00	205,000	0	0	205,000	16,800	221,800
2012	4.00	215,000	0	0	215,000	8,600	223,600
Total 2003 issue		1,005,000	0	(185,000)	820,000	79,500	899,500
Durant Issue							
Fiscal Year:							
2009		22,503	0	0	22,503	5,892	28,395
2010		138,577	0	0	138,577	52,198	190,775
2011		24,696	0	0	24,696	3,698	28,394
2012		25,870	0	0	25,870	2,522	28,392
2013		27,102	0	0	27,102	1,290	28,392
Total Durant issue		238,748	0	0	238,748	65,600	304,348
2000 Issue							
Fiscal Year:							
2008	4.70	725,000	0	(725,000)			
2009	4.75	750,000	0	0	750,000	80,000	830,000
2010	5.50	800,000	0	0	800,000	44,000	844,000
Total 2000 issue		2,275,000	0	(725,000)	1,550,000	124,000	1,674,000

NEWAYGO PUBLIC SCHOOLS
Schedule of Bonded Indebtedness
For the Year Ended June 30, 2008

<u>Maturity Date</u>	<u>Percent of Interest Rate</u>	<u>Bonds Outstanding July 1, 2007</u>	<u>Additions</u>	<u>Bonds Retired This Year</u>	<u>Bonds Outstanding June 30, 2008</u>	<u>Annual Interest Payment</u>	<u>Total Annual Payment</u>
2005 Issue							
Fiscal Year:							
2008	3.00	\$ 70,000	\$ 0	\$ (70,000)			
2009	3.25	75,000	0	0	\$ 75,000	\$ 910,375	\$ 985,375
2010	3.50	75,000	0	0	75,000	907,938	982,938
2011	3.50	925,000	0	0	925,000	905,313	1,830,313
2012	3.75	965,000	0	0	965,000	872,938	1,837,938
2013 and after	4.00-5.00	<u>16,985,000</u>	<u>0</u>	<u>0</u>	<u>16,985,000</u>	<u>6,303,000</u>	<u>23,288,000</u>
Total 2005 issue		<u>19,095,000</u>	<u>0</u>	<u>(70,000)</u>	<u>19,025,000</u>	<u>9,899,564</u>	<u>28,924,564</u>
Total all issues		<u>\$ 22,613,748</u>	<u>\$ 0</u>	<u>\$ (980,000)</u>	<u>\$ 21,633,748</u>	<u>\$ 10,168,664</u>	<u>\$ 31,802,412</u>



WEINLANDER FITZHUGH

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October 14, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Newaygo Public Schools
Newaygo, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newaygo Public Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 14, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Newaygo Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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Board of Education
Newaygo Public Schools
October 14, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newaygo Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, Board of Education others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh



WEINLANDER FITZHUGH

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October 14, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Newaygo Public Schools
Newaygo, Michigan

Compliance

We have audited the compliance of Newaygo Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Newaygo Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Newaygo Public Schools' management. Our responsibility is to express an opinion on Newaygo Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Newaygo Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Newaygo Public Schools' compliance with those requirements.

In our opinion, Newaygo Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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Board of Education
Newaygo Public Schools
October 14, 2008

Internal Control Over Compliance

The management of Newaygo Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Newaygo Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School District's internal control.

Our consideration of internal control over compliance was not for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of, management, the Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh

NEWAYGO PUBLIC SCHOOLS
Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

2007 Financial Statement Findings

2007-1 Finding

Lack of segregation of duties between personnel. In each instance, one person has the ability to draft checks, bank authority to sign checks, and has the responsibility to reconcile the bank statements which reduces the likelihood of misstatements being identified and corrected.

Corrective Action Taken

The School District has implemented additional segregation of duties as well as having the Superintendent review the check register and the subsequent review of invoices. The School District will evaluate the effectiveness of these additional procedures at the end of the next fiscal year and will continue to evaluate and consider alternative procedures for dealing with the issues raised.

NEWAYGO PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiency(ies) identified not considered to be material weaknesses? ☐ YES ☒ NO

Noncompliance material to financial statements noted? ☐ YES ☒ NO

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiency(ies) identified not considered to be material weaknesses? ☐ YES ☒ NO

Type of auditor's report issued on compliance for major programs: Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? ☐ YES ☒ NO

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA
84.367	Title II: Improving Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ YES ☐ NO

NEWAYGO PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no matters reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters reported.

NEWAYGO PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor or Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	Accrued (Deferred) Revenue <u>July 1, 2007</u>	(Memo Only) Prior Year <u>Expenditures</u>	<u>Adjustments</u>	Current Year <u>Expenditures</u>	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue <u>June 30, 2008</u>
<u>U. S. Department of Agriculture</u>								
Child Nutrition Cluster:								
Direct Program:								
Summer Food Service Program 71900	10.559	\$ 971	\$ 0	\$ 0	\$ 0	\$ 971	\$ 971	\$ 0
Passed through Michigan Department of Education:								
National School Breakfast Program Project 1970	10.553	60,842	0	0	0	60,842	60,842	0
National School Lunch Program Project 1950/1960	10.555	314,239	0	0	0	314,239	314,239	0
Total Child Nutrition Cluster			0	0	0	376,052	376,052	0
Food Distribution Program								
Entitlement	10.550	40,740	0	0	0	40,740	40,740	0
Bonus		169	0	0	0	169	169	0
			0	0	0	40,909	40,909	0
Total U.S. Department of Agriculture			0	0	0	416,961	416,961	0
<u>U.S. Department of Interior</u>								
Passed through the Michigan Department of Natural Resources:								
Payments in lieu of taxes	15.226	1,966	0	0	0	1,966	1,966	0
<u>U.S. Department of Education</u>								
Passed through the Newaygo County ISD:								
IDEA 0780	84.027	300,000	0	0	0	300,000	300,000	0
			0	0	0	300,000	300,000	0

NEWAYGO PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor or Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	Accrued (Deferred) Revenue <u>July 1, 2007</u>	(Memo Only) Prior Year Expenditures <u>Expenditures</u>	<u>Adjustments</u>	Current Year Expenditures <u>Expenditures</u>	Current Year Receipts (Cash Basis) <u>(Cash Basis)</u>	Accrued (Deferred) Revenue <u>June 30, 2008</u>
<u>U.S. Department of Education</u>								
Passed through the Michigan Department of Education:								
Title I	84.010							
061530 0506		\$ 13,754	\$ 13,754	\$ 13,754	\$ 0	\$ 0	\$ 13,754	\$ 0
071530 0607		288,958	288,958	288,958	0	0	288,958	0
081530 0708		263,034	0	0	0	242,698	0	242,698
			<u>302,712</u>	<u>302,712</u>	<u>0</u>	<u>242,698</u>	<u>302,712</u>	<u>242,698</u>
Title V	84.298							
070250 0607		1,973	1,973	1,973	0	0	1,973	0
080250 0708		2,044	0	0	0	2,044	0	2,044
			<u>1,973</u>	<u>1,973</u>	<u>0</u>	<u>2,044</u>	<u>1,973</u>	<u>2,044</u>
Technology Literacy Challenge	84.318							
074290 0607		2,966	2,966	2,966	0	0	2,966	0
084290 0708		2,472	0	0	0	2,472	0	2,472
			<u>2,966</u>	<u>2,966</u>	<u>0</u>	<u>2,472</u>	<u>2,966</u>	<u>2,472</u>
Improving Teacher Quality	84.367							
060520 0607		18,212	18,212	18,212	0	0	18,212	0
070520 0607		101,025	80,633	94,383	0	0	80,633	0
080520 0708		67,787	0	0	0	58,203	(3,744)	61,947
			<u>98,845</u>	<u>112,595</u>	<u>0</u>	<u>58,203</u>	<u>95,101</u>	<u>61,947</u>
Service Provider Self Review	84.027A							
070440 0607		3,900	3,900	3,900	0	0	3,900	0
Total U.S. Department of Education			<u>410,396</u>	<u>424,146</u>	<u>0</u>	<u>605,417</u>	<u>706,652</u>	<u>309,161</u>
			<u>\$ 410,396</u>	<u>\$ 424,146</u>	<u>\$ 0</u>	<u>\$ 1,024,344</u>	<u>\$ 1,125,579</u>	<u>\$ 309,161</u>

See accompanying notes to financial statements

NEWAYGO PUBLIC SCHOOLS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Newaygo Public Schools and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

NOTE 2 - OTHER DISCLOSURES

Management has utilized the Grants Section Auditors Report and Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.



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October 14, 2008

Board of Education Newaygo Public Schools

We have audited the financial statements of Newaygo Public Schools for the year ended June 30, 2008, and have issued our report thereon dated October 14, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Newaygo Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Newaygo Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined on a test basis, evidence about Newaygo Public Schools' compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Newaygo Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Newaygo Public Schools' compliance with those requirements.

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Board of Education
Newaygo Public Schools
October 14, 2008
Page 2

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on June 20, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Newaygo Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation expense and accumulated depreciation is based on its experience of estimated useful lives. We evaluated the key factors and assumptions used to develop the depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liability for compensated absences is based on the amount of paid time off that would be paid out to an employee upon leaving the School District. We evaluated the key factors and assumptions used to develop the liability for compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.



WEINLANDER FITZHUGH

Board of Education
Newaygo Public Schools
October 14, 2008
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The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



WEINLANDER FITZHUGH

Board of Education
Newaygo Public Schools
October 14, 2008
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Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of Newaygo Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh